

CITY OF MITCHELLVILLE, IOWA
Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2010

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
	<u>Exhibit</u>
Government-wide Financial Statement	
Statement of Activities and Net Assets -- Cash Basis	A 10-11
Governmental Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12-13
Proprietary Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14
Fiduciary Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 15
Notes to Financial Statements	16-21
Required Supplementary Information	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances	
-- Budget and Actual (Cash Basis) -- All Governmental Funds and Proprietary Funds	22-23
Notes to Required Supplementary Information -- Budgetary Reporting	24
Other Supplementary Information	
	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	
-- Nonmajor Governmental Funds	1 25-26
Schedule of Indebtedness	2 27-28
Bond and Note Maturities	3 29
Schedule of Receipts by Source and Disbursements by Function	
-- All Governmental Funds	4 30
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting	31-32
Schedule of Findings	33-34

City of Mitchellville, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Wieslander	Mayor	December, 2011
Peggy Olson	Mayor Pro Tem	December, 2011
Deb Thomas	Council Member	December, 2011
James Scott	Council Member	December, 2011
Chad Snyder	Council Member	December, 2013
Steve Zook	Council Member	December, 2013
Jeffrey Horne	City Administrator	10/08/09
Kristen May	City Clerk/ Administrator	Indefinite
Mildred Cunningham	City Clerk	05/17/11
Ruth Norton	Deputy City Clerk	Indefinite
Bill Mallory	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite
Charles Sickels	Police Chief	Indefinite
Dwayne Heckman	Fire Chief	Indefinite

POLLARD AND COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mitchellville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our report on our consideration of the City of Mitchellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (none of which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

December 29, 2010

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

FY 2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased by \$148,246 from FY 2009 to FY 2010 due to bond proceeds for new Ambulance.
- The general government disbursements decreased \$699,693 from FY 2009 to FY 2010 due to Capital Projects completed in FY 2009.
- The City's total cash basis net assets for FY 2010 were \$968,919. Of this amount, the assets of the governmental activities were \$245,211 and the assets of the business type activities were \$723,708.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's finances.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records based on cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps, answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the business at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits 3) the Debt Service Fund, and 4) the Capital Project Funds for the Library Renovation Project, and City Hall Project funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government, operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer fund.

3) The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2010	June 30, 2009
Program receipts:		
Charges for service	\$93,650	\$104,153
Operating grants, contributions and restricted interest	\$259,532	\$296,142
General receipts:		
Property tax		
for general purpose	\$457,900	\$425,958
for debt service	\$133,637	\$108,771
Bond Proceeds	\$185,000	\$0
Unrestricted investment earnings	\$4,300	\$12,554
Miscellaneous	\$27,630	\$75,491
Transfers	\$76,151	\$66,485
Total receipts and transfers	\$1,237,800	\$1,089,554
Disbursements:		
Public safety	\$271,759	\$326,809
Public works	\$304,644	\$281,503
Culture and recreation	\$141,008	\$150,021
Community and economic development	\$6,152	\$11,004
General government	\$96,077	\$99,344
Debt service	\$269,577	\$274,753
Capital Project	\$251,084	\$896,560
Total disbursements	\$1,340,301	\$2,039,994
Increase(decrease) in cash basis net assets	(\$102,501)	(\$950,440)
Cash basis net assets beginning of year	\$347,712	\$1,298,152
Cash basis net assets end of year	\$245,211	\$347,712

The City's total receipts for governmental activities were \$1,237,800 and the total disbursements of all programs and services were \$1,340,301. The cash-basis net assets end of year 2010 was \$245,211, which was a decrease of \$102,501 from the previous year.

Changes in Cash Basis Net Asset of Business Type Activities

	June 30, 2010	June 30, 2009
Program receipts:		
Charges for service		
Water	\$433,307	\$338,196
Sewer	\$292,746	\$296,268
Capital grants, contributions and restricted interest	\$816	\$10,545
General receipts:		
Bond Proceeds		\$833
Total receipts	\$726,869	\$645,842
 Disbursements and transfers:		
Water	\$332,174	\$416,609
Sewer	\$286,602	\$296,798
Transfers	\$74,208	\$63,089
Total disbursements and transfers	\$692,984	\$776,496
 Increase (decrease) in cash balance	 \$33,885	 (\$130,654)
Cash basis net assets beginning of year	\$689,823	\$820,477
Cash basis net assets end of year	\$723,708	\$689,823

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$245,211. A decrease of \$102,501 from last year's total of \$347,712.

- The General Fund cash balance had an increase in revenues, but it has an decrease in spending. The decrease in spending was due to capital projects such as City Hall, Library, and Center Avenue.
- The Road Use Tax Fund cash balance had a decrease of \$7,386 from \$50,860 for an end of year balance \$43,474. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Library Renovation Fund has a deficit of \$10,849. This will decrease when the Library Foundation receives more donations to eliminate this deficit. If this doesn't happen, the city will have to transfer money from the general fund to eliminate this deficit.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increase by \$27,583 due primarily to increase in water rates due to shortfall in FY09.
- The Sewer Fund cash balance increased by \$6,302.

BUDGETARY HIGHLIGHTS

- The City had no budget amendment in FY09.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$4,928,722 in bonds and other long-term debt.

Outstanding Debt at Year -End

	June 30, 2010	June 30, 2009
General Obligation Capital Loan Notes	\$1,873,160	\$1,942,722
Revenue Loan Notes	\$2,845,000	\$2,986,000
Total	\$4,718,160	\$4,928,722

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,873,160 is significantly below its constitutional debt limit of \$3,784,849.

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

In the previous fiscal year, the City Council had not done much due the fact City Administrator left in October 2009. The City completed the City Hall Project and the Center Avenue Pavement Improvement Project in the FY 2009. The City Hall moved from 110 Second Street NE to the old library at 204 Center Avenue N. The street improvement and the city hall has made a great improvement to the City of Mitchellville.

The Deer Run Development is located off Sixth Street NE. At this time there is only a few homes built in this development, but the City is hoping more homes will be added to this development in the next year. There has been one home built in the last year, city is working on several project with several different builders which we hope will have several homes built this year 2011.

The city is currently working on a Capital Improvement Plan which will help with planning projects in the community and a plan for Debt Service.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristen M. May, City Clerk, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

City of Mitchellville, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants, Contributions, and Restricted Interest
Governmental Activities			
Public safety	\$ 271,759	\$ 11,967	\$ 28,545
Public works	304,644	77,067	213,537
Culture and recreation	141,008		14,166
Community and economic development	6,152		
General government	96,077	4,616	3,284
Debt service	269,577		
Capital Projects	251,084		
Total governmental activities	<u>1,340,301</u>	<u>93,650</u>	<u>259,532</u>
Business type activities			
Water	332,174	433,307	
Sewer	<u>286,602</u>	<u>292,746</u>	
Total business type activities	<u>618,776</u>	<u>726,053</u>	
Total	<u>\$ 1,959,077</u>	<u>\$ 819,703</u>	<u>\$ 259,532</u>

General Receipts

Property tax levied for
 General purposes
 Debt service
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Transfers
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash basis net assets

Restricted (deficit)
 Streets
 Capital project
 Debt service
 Employee benefits
 Other purposes
Unrestricted

 Total cash basis net assets

There were no reconciling items between the Governmental and Proprietary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Governmental Activities	Business Type Activities	Total
\$ (231,247)		\$ (231,247)
(14,040)		(14,040)
(126,842)		(126,842)
(6,152)		(6,152)
(88,177)		(88,177)
(269,577)		(269,577)
(251,084)		(251,084)
(987,119)		(987,119)
	101,133	101,133
	6,144	6,144
	107,277	107,277
\$ (987,119)	\$ 107,277	\$ (879,842)
457,900		457,900
133,637		133,637
4,300	816	5,116
185,000		185,000
27,630		27,630
76,151	(74,208)	1,943
884,618	(73,392)	811,226
(102,501)	33,885	(68,616)
347,712	689,823	1,037,535
\$ 245,211	\$ 723,708	\$ 968,919
\$ 43,474	\$	\$ 43,474
(7,634)		(7,634)
4,154	40,264	44,418
(31,092)		(31,092)
35,602		35,602
200,707	683,444	884,151
\$ 245,211	\$ 723,708	\$ 968,919

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue				Capital Project
	General	Road Use Tax	Employee Benefits	Debt Service	Center Avenue Project
Receipts					
Property Taxes	\$ 374,365	\$	\$ 72,430	\$ 133,637	
Licenses and Permits	6,365				
Use of Money and Property	4,264				
Special Assessments					
Intergovernmental	45,995	203,483			
Charges for Services	93,650				
I- Jobs		10,054			
Miscellaneous	15,498				
Total Receipts	540,137	213,537	72,430	133,637	
Disbursements					
Operating					
Public Safety	223,681		48,078		
Public Works	77,095	206,969	20,580		
Culture and Recreation	127,225		13,783		
Community and Economic Development	5,755				
General Government	89,233		4,054	2,790	
Debt Service				269,577	
Capital Projects	179,341				47,313
Total Disbursements	702,330	206,969	86,495	272,367	47,313
Excess (deficiency) of receipts over (under) disbursements	(162,193)	6,568	(14,065)	(138,730)	(47,313)
Other financing sources (uses)					
Bond Proceeds	185,000				
Operating transfers in	13,445		21,547	183,993	95,713
Operating transfers out	(206,466)	(13,954)			
Total other financing sources (uses)	(8,021)	(13,954)	21,547	183,993	95,713
Net change in cash balances	(170,214)	(7,386)	7,482	45,263	48,400
Cash balance - beginning of year	370,921	50,860	(38,574)	(41,109)	(48,400)
Cash balance - end of year	\$ 200,707	\$ 43,474	\$ (31,092)	\$ 4,154	\$
Cash basis fund balances (deficit)					
Reserved					
Debt service	\$	\$	\$	\$ 4,154	\$
Employee Benefits			(31,092)		
Unreserved					
General fund	200,707				
Special revenue funds		43,474			
Capital project funds					
Permanent fund					
Total cash basis fund balances	\$ 200,707	\$ 43,474	\$ (31,092)	\$ 4,154	\$

The accompanying notes to financial statements are an integral part of this statement.

Other Nonmajor Governmental Funds		Total
\$	11,105	\$ 591,537
		6,365
	36	4,300
	948	948
		249,478
		93,650
		10,054
	4,819	20,317
	16,908	976,649
		271,759
		304,644
		141,008
	397	6,152
		96,077
		269,577
	24,430	251,084
	24,827	1,340,301
	(7,919)	(363,652)
		185,000
	15,258	329,956
	(33,385)	(253,805)
	(18,127)	261,151
	(26,046)	(102,501)
	54,014	347,712
\$	27,968	\$ 245,211
\$		\$ 4,154
		(31,092)
		200,707
		43,474
	(7,634)	(7,634)
	35,602	35,602
\$	27,968	\$ 245,211

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Water	Sewer	Total
Operating receipts			
Charges for service	\$ 433,307	\$ 292,746	\$ 726,053
Total operating receipts	433,307	292,746	726,053
Operating disbursements			
Business-type activities	177,050	203,680	380,730
Total operating disbursements	177,050	203,680	380,730
Excess of operating receipts over operating disbursements	256,257	89,066	345,323
Non-operating receipts (disbursements)			
Interest on Investments	261	555	816
Bond Servicing Costs	(4,934)	(2,532)	(7,466)
Debt service	(150,190)	(80,390)	(230,580)
Total non-operating receipts (disbursements)	(154,863)	(82,367)	(237,230)
Excess of receipts over disbursements	101,394	6,699	108,093
Operating transfers out	(73,811)	(397)	(74,208)
Net change in cash balances	27,583	6,302	33,885
Cash balances - beginning of year	163,667	526,156	689,823
Cash balances - end of year	\$ 191,250	\$ 532,458	\$ 723,708
Cash basis fund balances			
Reserved for debt service	\$ 33,440	\$ 6,824	\$ 40,264
Unreserved	157,810	525,634	683,444
Total cash basis fund balances	\$ 191,250	\$ 532,458	\$ 723,708

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2010

	<u>Blake Trust</u>	<u>Library Memorial</u>	<u>Thomas Mitchell Historical Society</u>
Receipts			
Use of money and property	\$ 1,056	\$ 36	
Miscellaneous		5,040	519
Total receipts	<u>1,056</u>	<u>5,076</u>	<u>519</u>
Disbursements		<u>2,050</u>	<u>2,460</u>
Excess (deficiency) of receipts over (under) disbursements	1,056	3,026	(1,941)
Operating transfers out		<u>(2,340)</u>	
Net change in cash balances	1,056	686	(1,941)
Cash balance - beginning of year	60,730	12,817	4,430
Cash balance - end of year	<u>\$ 61,786</u>	<u>\$ 13,503</u>	<u>\$ 2,489</u>

City of Mitchellville, Iowa
Notes To Financial Statements
June 30, 2010

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement and Central Regional Iowa Drinking Water Commission.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2010, the City paid the Metro Waste Authority \$11,129 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Project Fund:

Center Avenue Project is used to account for the construction costs of Center Avenue reconstruction.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a propriety funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$752,727 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest Rate Risk – the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities shall be consistent with the needs and use of the City.

Credit Risk- the City's investment in the Iowa Public Agency Investment Trust is unrated.

3/ Bonds and Notes Payable

Annual debt service requirements for general obligation notes, and revenue bonds and notes are as follows:

Year Ending	General Obligation Bonds		Revenue Bonds/ Notes		Total	
	June 30,					
	Principal	Interest	Principal	Interest	Principal	Interest
2011	260,160	62,675	145,000	85,350	405,160	148,025
2012	163,000	55,340	149,000	81,000	312,000	136,340
2013	149,000	49,275	154,000	76,530	303,000	125,805
2014	156,000	44,110	159,000	71,910	315,000	116,020
2015	162,000	38,660	163,000	67,140	325,000	105,800
2016-2020	651,000	110,695	894,000	259,170	1,545,000	369,865
2021-2026	272,000	33,990	1,035,000	116,850	1,307,000	150,840
2027-2031	60,000	1,800	146,000	4,380	206,000	6,180
Total	\$ 1,873,160	\$ 396,545	\$ 2,845,000	\$ 762,330	\$ 4,718,160	\$ 1,158,875

3/ Bonds and Notes Payable (continued)

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 60 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,397,430. For the current year, principal and interest paid and customer net receipts were \$150,190 and \$256,257, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,209,900. For the current year, principal and interest paid and customer net receipts were \$80,390 and \$89,066, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year.

4/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$28,908, \$31,667, and \$29,541, respectively, equal to the required contributions for each year.

5/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$16,000. This liability has been computed based on rates of pay as of June 30, 2010.

6/ Risk Management

The City of Mitchellville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

	Transfer To							Total
	General	Urban Service Area	Debt Service	City Hall	Center Avenue	Employee Benefits	Railroad Crossing	
Transfer from								
Water	\$	\$	\$ 73,811	\$	\$	\$	\$	\$ 73,811
Sewer		397						397
General			88,299	907	95,713	21,547		206,466
Emergency Levy	11,105							11,105
Road Use Tax							13,954	13,954
Library Memorial	2,340							2,340
Fire Truck Replacement			21,883					21,883
	<u>\$ 13,445</u>	<u>\$ 397</u>	<u>\$183,993</u>	<u>\$ 907</u>	<u>\$95,713</u>	<u>\$ 21,547</u>	<u>\$ 13,954</u>	<u>\$ 329,956</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8/ Deficit Fund Balances

The Employee Benefits Fund had a deficit balance of \$31,092. The deficit was a result of expenditures being greater than property tax revenues. Subsequent receipts from property taxes will eliminate the deficit.

The Library Renovations Fund had a deficit balance of \$10,849. The deficit was a result of project expenditures being made ahead of receipts. Subsequent receipts from the library foundation or transfers from the General Fund will eliminate the deficit.

9/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

10/ Urban Service Area

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the

agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January , 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. The total to be paid is \$281,696. The remainder will be paid by revenues generated from connection fees and development agreements.

City of Mitchellville, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 591,537		\$ 591,537
I- Jobs	10,054		10,054
Licenses and permits	6,365		6,365
Use of money and property	4,300	816	5,116
Intergovernmental	249,478		249,478
Charges for Service	93,650	726,053	819,703
Special Assessments	948		948
Miscellaneous	20,317		20,317
Total Receipts	<u>976,649</u>	<u>726,869</u>	<u>1,703,518</u>
Disbursements			
Public safety	271,759		271,759
Public works	304,644		304,644
Health and social services			
Culture and recreation	141,008		141,008
Community and economic development	6,152		6,152
General government	96,077		96,077
Debt service	269,577		269,577
Capital Projects	251,084		251,084
Business type activities		618,776	618,776
Total Disbursements	<u>1,340,301</u>	<u>618,776</u>	<u>1,959,077</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(363,652)</u>	<u>108,093</u>	<u>(255,559)</u>
Other financing sources, net	<u>261,151</u>	<u>(74,208)</u>	<u>186,943</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(102,501)</u>	<u>33,885</u>	<u>(68,616)</u>
Balance - beginning of year	347,712	689,823	1,037,535
Balance - end of year	<u>\$ 245,211</u>	<u>\$ 723,708</u>	<u>\$ 968,919</u>

See accompanying independent auditors' report.

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 576,607	\$ 576,607	\$ 14,930
14,087	14,087	(4,033)
11,130	11,130	(4,765)
10,200	10,200	(5,084)
235,500	235,500	13,978
753,950	753,950	65,753
2,700	2,700	(1,752)
	185,000	(164,683)
1,604,174	1,789,174	(85,656)
343,262	537,114	265,355
238,824	283,324	(21,320)
	1,150	1,150
118,907	127,757	(13,251)
8,250	8,250	2,098
89,212	89,212	(6,865)
269,252	290,604	21,027
		(251,084)
740,218	740,218	121,442
1,807,925	2,077,629	118,552
(203,751)	(288,455)	32,896
		186,943
(203,751)	(288,455)	219,839
2,108,520	2,108,520	(1,070,985)
\$ 1,904,769	\$ 1,820,065	\$ (851,146)

City of Mitchellville, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$269,704. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, and capital projects functions.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue		Capital Projects			
	Emergency Levy	Library Renovations	Special Assessment	Railroad Crossing Repair	Urban Service Area	
Receipts						
Property tax	\$ 11,105	\$	\$	\$	\$	
Use of money and property			32			
Special Assessments			948			
Miscellaneous		4,250				
Total Receipts	11,105	4,250	980			
Disbursements						
Operating						
Community and Economic Development						397
Capital Projects			22,943			
Total Disbursements						
Excess (deficiency) of receipts over (under) disbursements	11,105	4,250	(21,963)			397
Other financing sources (uses)						
Operating transfers in				13,954		397
Operating transfers out	(11,105)					
Total other financing sources (uses)	(11,105)			13,954		
Net change in cash balances		4,250	(21,963)	13,954		
Cash balance - beginning of year		(15,099)	21,963	(13,954)		
Cash balance - end of year	\$	\$ (10,849)	\$	\$	\$	
Cash basis fund balances(Deficit)						
Reserved						
Capital Projects	\$	\$ (10,849)	\$	\$	\$	
Permanent fund						
Total cash basis fund balances	\$	\$ (10,849)	\$	\$	\$	

See accompanying independent auditors' report.

Park Fund	City Hall	Fire Truck Replacement	<u>Permanent</u> Cemetery Perpetual Care	Total
\$		\$	\$	\$ 11,105
4				36
				948
			569	4,819
4			569	16,908
				397
	1,487			24,430
				24,827
4	(1,487)		569	(7,919)
	907			15,258
		(21,883)		(32,988)
	907	(21,883)		(17,730)
4	(580)	(21,883)	569	(25,649)
3,395	580	22,096	35,033	54,014
\$ 3,399	\$	\$ 213	\$ 35,602	\$ 28,365
\$ 3,399	\$	\$ 213	\$	\$ (7,237)
			35,602	35,602
\$ 3,399	\$	\$ 213	\$ 35,602	\$ 28,365

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Storm Sewer Improvement	March, 1997	5.00%	\$375,000
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
Street Reconstruction	August, 2006	0.00%	266,806
City Hall/Center Avenue Improvements	June, 2008	2.70% - 3.90%	810,000
Capital Loan Notes Series 2009A	July, 2009	4.00%	185,000
Totals			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
90,000		30,000	60,000	4,500
796,000		36,000	760,000	23,880
205,000		25,000	180,000	8,712
106,522		53,362	53,160	
745,000		95,000	650,000	25,133
	185,000	15,000	170,000	6,352
<u>\$ 1,942,522</u>	<u>\$ 185,000</u>	<u>\$ 254,362</u>	<u>\$ 1,873,160</u>	<u>\$ 68,577</u>
1,013,000		50,000	963,000	30,390
1,973,000		91,000	1,882,000	59,190
<u>\$ 2,986,000</u>	<u>\$</u>	<u>\$ 141,000</u>	<u>\$ 2,845,000</u>	<u>\$ 89,580</u>

City of Mitchellville, Iowa
Bond and Note Maturities
June 30, 2010

General Obligation Bonds and Notes

Year Ending June 30,	Storm Sewer Improvement		Water Capital Notes		Street Project		Library Renovations		City Hall/Center Avenue	
	Issued March 1, 1997		Issued June 1, 2006		Issued August 30, 2006		Issued August 21, 2006		Issued June 17, 2008	
	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest	Amount	Interest	Amount	Interest	Amount
2011	5.00	30,000	3.00	37,000	0.00	53,160	4.25	30,000	3.00	95,000
2012	5.00	30,000	3.00	38,000			4.25	30,000	3.10	50,000
2013			3.00	39,000			4.25	30,000	3.20	60,000
2014			3.00	41,000			4.25	30,000	3.30	65,000
2015			3.00	42,000			4.25	30,000	3.40	70,000
2016			3.00	43,000			4.25	30,000	3.50	70,000
2017			3.00	45,000					3.70	75,000
2018			3.00	46,000					3.80	80,000
2019			3.00	48,000					3.90	85,000
2020			3.00	49,000						
2021			3.00	51,000						
2022			3.00	53,000						
2023			3.00	54,000						
2024				56,000						
2025				58,000						
2026			3.00	60,000						
Totals		\$ 60,000		\$ 760,000		\$ 53,160		\$ 180,000		\$ 650,000

General Obligation Bonds and Notes

Year Ending June 30,	Capital Loan Notes Series 2009A		
	Issued July 22, 2009		
	Interest Rates (%)	Amount	Total
2011	4.00	15,000	260,160
2012	4.00	15,000	163,000
2013	4.00	20,000	149,000
2014	4.00	20,000	156,000
2015	4.00	20,000	162,000
2016	4.00	20,000	163,000
2017	4.00	20,000	140,000
2018	4.00	20,000	146,000
2019	4.00	20,000	153,000
2020			49,000
2021			51,000
2022			53,000
2023			54,000
2024			56,000
2025			58,000
2026			60,000
Totals		\$ 170,000	\$ 1,873,160

Sewer Revenue Capital Notes

Year Ending June 30,	Sewer Revenue Capital Notes			Water Revenue Bonds		
	Issued May 17, 2004			Issued September 21, 2005		
	Interest Rates (%)	Amount	Total	Interest Rates (%)	Amount	Total
2011	3.00	52,000	93,000	3.00	93,000	145,000
2012	3.00	53,000	96,000	3.00	96,000	149,000
2013	3.00	55,000	99,000	3.00	99,000	154,000
2014	3.00	57,000	102,000	3.00	102,000	159,000
2015	3.00	58,000	105,000	3.00	105,000	163,000
2016	3.00	60,000	108,000	3.00	108,000	168,000
2017	3.00	62,000	112,000	3.00	112,000	174,000
2018	3.00	64,000	115,000	3.00	115,000	179,000
2019	3.00	66,000	118,000	3.00	118,000	184,000
2020	3.00	67,000	122,000	3.00	122,000	189,000
2021	3.00	69,000	126,000	3.00	126,000	195,000
2022	3.00	72,000	129,000	3.00	129,000	201,000
2023	3.00	74,000	133,000	3.00	133,000	207,000
2024		76,000	137,000	3.00	137,000	213,000
2025		78,000	141,000	3.00	141,000	219,000
2026			146,000	3.00	146,000	146,000
Totals		\$ 963,000	\$ 1,882,000		\$ 1,882,000	\$ 2,845,000

City of Mitchellville, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Six Years

	2010	2009	2008	2007	2006	2005
Receipts						
Property taxes	\$ 591,537	\$ 534,729	\$ 503,636	\$ 484,798	\$499,829	\$492,370
Licenses and permits	6,365	8,592	11,926	12,664	14,828	8,525
Use of money and property	4,300	12,799	26,476	32,527	16,155	7,166
Special Assessments	948	400	-	-	-	-
Intergovernmental	259,532	296,142	253,493	303,544	214,152	185,486
Charges for service	93,650	93,874	127,224	126,160	113,830	113,646
Miscellaneous	20,317	76,533	106,943	681,272	62,197	35,337
Total	\$ 976,649	\$ 1,023,069	\$ 1,029,698	\$ 1,640,965	\$920,991	\$ 842,530
Disbursements						
Operating						
Public safety	\$ 271,759	\$ 326,809	\$ 389,989	\$ 413,684	\$304,815	\$268,519
Public works	304,644	281,503	442,743	513,887	274,089	224,577
Culture and recreation	141,008	150,021	123,509	110,388	120,699	120,433
Community and economic development	6,152	11,004	24,787	16,638	5,863	5,857
General government	96,077	99,344	111,070	78,508	92,410	90,115
Debt service	269,577	274,753	199,658	154,753	71,208	73,702
Capital projects	251,084	896,560	237,685	745,256	43,254	-
Total	\$ 1,340,301	\$ 2,039,994	\$ 1,529,441	\$ 2,033,114	\$912,338	\$ 783,203

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mitchellville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

December 29, 2010

Pollard and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

PART I Findings Related to the Financial Statements

I-A-10 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

Using the new City Manager, the City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-10 Certified Budget

Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in public works, culture and recreation, general government, and capital projects functions.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

Due to a change in the City Clerk and other personnel the budget was not amended properly. The budget will be amended in the future, if applicable.

Conclusion- Response accepted.

II-B-10 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions

There were no business transactions between the City and City officials or employees during the year.

PART II Other Findings Related to Statutory Reporting (continued)

II-E-10 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-10 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, they did not contain a summary of receipts as required by the same chapter of the Code.

Recommendation

The City should comply with the Code of Iowa and publish the minutes and summary of the receipts as required.

Response

We will publish the minutes and information as required.

Conclusion - Response accepted.

II-G-10 Deposits and Investments

Deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-10 Financial Condition

The Employee Benefits Fund and the Library Renovations Fund had deficit balances at June 30, 2010.

Recommendation

The City should investigate alternatives to eliminate the deficits in order to return the funds to a sound financial position.

Response

Note 8 of the financial statements indicate the City's plans to eliminate the deficit.

Conclusion

Response accepted.

II-I-10 Revenue Bonds

No instances of non-compliance with revenue bond resolutions were noted.

II-J-10 Invoice Authorization

The department supervisors did not approve all invoices submitted by vendors.

Recommendation

All invoices should be approved by department supervisors.

Response

All invoices will be approved.

Conclusion

Response accepted.